Michigan Association of Health Plans

Senate Committee on Insurance
November 8, 2011

Testimony of Michigan Association of Health Plans in opposition of SB 540

Good afternoon Chairman Hune and members of the committee, my name is Christine Shearer, Legislative Director of the Michigan Association of Health Plans. I am here today in opposition of SB 540.

MAHP believes SB 540 will make health care less accessible rather than more affordable by raising costs. Solving the problem of unaffordable co-pays and co-insurance would require putting more money into the system or persuading drug companies to reduce their prices.

It is important to note that these chemotherapy drugs – either oral or intravenous – are already covered benefits by health plans. What this bill does is to impose limits on how the benefit is administered, which could result in higher premiums for employers.

Biologic drugs are cutting edge medicines used by a number of patients for chronic conditions such as cancer, multiple sclerosis and rheumatoid arthritis. They can be vastly more expensive than traditional agents. Currently, there are no generic equivalents of biologic drugs on the market that could save consumers billions of dollars over the years.

Employers are demanding more affordable health insurance products. Today many health insurance products are designed to share the cost of coverage with enrollees as a way to keep the cost of coverage more affordable for the employer's entire group. Drugs make up a significant portion of the cost of health care coverage and high cost specialty drug make up a fast-growing component of health care costs.

Because their cost is so high, these specialty drugs are often categorized into a third or fourth tier pharmacy benefit, where the enrollee pays a higher co-pay for these medications limited by an out-of-pocket (OOP) maximum. This bill mandates a cap on co-pays, but it does nothing to address the high cost of these drugs. It simply shifts the cost of these drugs to the employers' premium. The majority of MAHP members have these drugs in the second tier of their pharmacy benefit.

In today's economy, employers are struggling to balance the cost of premiums against out-of-pocket costs. Employers make these choices as to which plans they can afford based on many factors, including whether they can afford more upfront

costs in their premium that comes with lower out-of-pocket costs or a lower premium with higher out-of-pocket costs.

Premiums reflect the cost of health care and increased costs lead directly to increased premiums. Employers typically choose the plan design for their employees based on the most comprehensive health insurance coverage they can afford to purchase as well as how they want to share the cost with their employees. Different coverage and/or enrollee cost sharing for different classifications of benefits is a standard method of controlling costs in health care coverage.

Enactment of this bill will ultimately shift more of the cost of the premium onto employers. The cost of these drugs doesn't change as a result of this bill; instead, the portion of costs now paid by the enrollee are shifted onto the premiums by paid employers in the fully-insured market.

Impact of SB 540~

Jane and her current health insurance coverage

- She currently receives oral chemotherapy drugs at her local pharmacy.
- She pays a 20% coinsurance on the medications with a cap of $200 for every 30-day supply.
- She also has an annual cap of $1400, so she would pay nothing for her medications after seven months of oral chemotherapy treatment.
- No matter where Jane goes to receive her oral chemotherapy medications, they will be covered the same way. If she goes to a hospital, receives in-home care, or receives the treatment on an outpatient basis, it will be treated the same.
- If Jane receives oral chemotherapy for a full year, it costs $72,000 and she pays $1400 out of pocket.

Scenario 1 for Jane if the bill passes:

- Her health plan makes oral chemotherapy a medical benefit instead of a pharmacy benefit to ensure the plan will not charge more for oral chemotherapy than for IV chemo.
- The out of pocket cost of her oral chemotherapy will depend on where she goes to receive them.
- If Jane goes to a clinic, she would pay an office visit co-payment of $30.
- If Jane receives it on an outpatient basis, she would pay a 20% coinsurance with no $200 cap. Once Ann reaches her annual out-of-pocket maximum of $7500, her insurance will pay 100% of the cost.
- If Jane receives oral chemotherapy medications as a part of her in-home care, she would pay a 20% coinsurance with no $200 cap or annual out-of-pocket cap.
- If Jane receives oral chemotherapy for a full year at a cost of $72,000, she could pay up to 20% of the cost, or $14,400.

Scenario 2 for Jane if the bill passes:

- In order to ensure out-of-pocket costs are not higher for oral chemotherapy than for IV chemo, the health plan implements a $10 co-payment for the medication, which is equal to the lowest office visit co-payment available through the plan.
- Jane would pay $10 out of pocket for her medications no matter where she receives them.
- Jane previously paid $200 per month for the medications and now pays $10, so every time she fills a prescription, **$190 is shifted to health insurance premiums for other Michiganders.**
- As more oral chemotherapies enter the market, more money is shifted onto private insurance premiums.
- If Jane receives oral chemotherapy for a full year at a cost of $72,000, she would pay $120; the balance of the cost is shifted to the premiums paid by the employer.

Furthermore, under the Affordable Care Act, a state may require that a qualified health plan offered in the state offer benefits in addition to the essential health benefits. However, in this instance, **the state must assume all the cost** by (1) making payments to an individual enrolled in a qualified health plan offered in such state or (2) making payments directly to the qualified health plan in which such individual is enrolled, on behalf of the individual. This is intended to defray the cost of any additional benefits, (Act Sec. 1311 (d)(3) , as amended by Sec. 10104 (e)(1) of the Affordable care Act.

Section 1302(b)(1) of the Affordable Care Act describes the essential benefits to be covered in the exchanges. The scope of benefits must be equivalent to the scope of benefits offered under "typical" employer-sponsored plan and be certified by the Chief Actuary of CMS. This provides the apples to apples comparisons for consumers obtaining services through the exchange.

SEC. 1302. ESSENTIAL HEALTH BENEFITS REQUIREMENTS.
(b) ESSENTIAL HEALTH BENEFITS.—
(1) IN GENERAL.—Subject to paragraph (2), the Secretary shall define the essential health benefits, except that such benefits shall include at least the following general categories and the items and services covered within the categories:
(A) Ambulatory patient services.
(B) Emergency services.
(C) Hospitalization.
(D) Maternity and newborn care.
(E) Mental health and substance use disorder services, including behavioral health treatment.
(F) Prescription drugs.
(G) Rehabilitative and habilitative services and devices.
(H) Laboratory services.

(I) Preventive and wellness services and chronic disease management.
(J) Pediatric services, including oral and vision care.

Oral chemotherapy regimens typically require a patient to take the medication exactly as prescribed by the doctor, with the average regimen consisting of 10 - 20 pills each day. The regimens may be complex and rely upon the consumer to police his or her own medication without the direct supervision of a licensed and trained medical professional.

Inadequate patient adherence to medications is highly prevalent in clinical practice focusing on chronic illness. Until recently, non-adherence to cancer therapies was deemed a relatively small problem because most medications were delivered intravenously. Although oral antineoplastic therapies offer patients many advantages, including greater convenience, patient adherence to oral agents is more difficult to assess than adherence to IV medications and is relatively unstudied and could become a significant problem. (*Enhancing Patient Adherence to Improve Outcomes With Oral Chemotherapy," Proceedings from a Symposium at the 2007Hematology/Oncology Pharmacy Association Annual Conference, October 18, 2007)*

The bottom line is:

- Health plans cover these medications to help patients battle cancer.
- Chemotherapy drugs are expensive and oral chemotherapy drugs are very expensive compared to IV treatment.
- Chemo treatments are covered in different ways depending on where it's received
- This bill could actually result in patients paying more out-of-pocket
- Regardless of the intent of the bill an untended consequence would be to place upward pressure on premiums.

As in our example we believe that enactment of this bill could result in unintended consequences whereby the enrollee cost sharing for chemotherapy actually increases. If the oral chemotherapy pharmacy benefit is tied to the cost sharing for these medical benefits, the result will be higher out-of-pocket costs for some enrollees who will receive their oral chemotherapy drugs as a medical benefit.

It is for these reasons that we ask you to oppose SB 450.

Thank you for the opportunity to testify. I am happy to answer any questions.